Une part équitable pour le Congo!
Appel International

International Appeal
A fair share for Congo!

11.11.11 VECHT MEE TEGEN ONRECHT

ASADHO/KATANGA

Broederlijk Delen omdat het zuiden plannen heeft

BIC BANK INFORMATION CENTER

CEPAS

Fatal Transactions

NIZA Nederlands instituut voor Zuidelijk Afrika

RAID Rights & Accountability in Development

RODHECIC

PUBLIC PRIVATE PARTNERSHIPS IN THE DRC'S MINING SECTOR: DEVELOPMENT, GOOD GOVERNANCE AND THE STRUGGLE AGAINST CORRUPTION?

On the occasion of the international conference, *Improving Governance and Fighting Corruption. New Frontiers in Public-Private Partnerships* which is being organized on 14 and 15 March 2007 in Brussels by the Belgian Government in collaboration with the World Bank and the OECD, we would like to present a number of recommendations that we believe will contribute to the realization of the conference's stated objectives in the Democratic Republic of the Congo (DRC). Our organizations have been working in the DRC - a country which is crucial for the future of the African continent - closely with the Congolese people on development and human rights issues for many years.

Given the centrality of the mining sector for the DRC's future, we believe that it is first and foremost in this sector that the international community and the Congolese Government must draw lessons from the serious failures of recent years to adhere to the principles of good governance. The Congo and its partners must demonstrate their determination to tackle corruption by addressing these past failures. All possible means should be used to ensure that the Congolese people derive the benefits from private-public partnerships to which they are entitled and which are essential for the development of the country.

To guarantee the Congolese people a fair share of the benefits of the exploitation of its natural resources, the Congolese government and its international partners should:

- **Clarify the mining contracts inherited from the past**
- **Revise the contracts to determine whether they should be renegotiated, revoked or cancelled**
- **Set up an independent mechanism to monitor the implementation of contracts**
- **Ensure transparent and fair management of the mining resources.**

www.11.be/fairshare - **Contact** : Marc-Olivier Herman – Broederlijk Delen
Rue des Tanneurs 165, B-1000 Brussels - marc.herman@broederlijkdelen.be – tel. +32 (0)2 213 04 32 /Tricia Feeney – RAID – 38 Norham Road, UK – OX2 6SQ Oxford - tricia.feeney@raid-uk.org - tel. +44 (0) 779-617-8447

1. Concerns about public-private partnerships in the DRC's mining sector

After 30 years of the Mobutu dictatorship and more than 15 years of war and transition, the needs of the Congolese population are immense. The DRC is ranked 167th on the Human Development Index of the United Nations Development Programme UNDP).[1] A third of children under the age of 5 years suffer from malnutrition and the life expectancy of half of the population is only 40 years. The basic infrastructure necessary to kick start the country's economy needs to be entirely rebuilt.

Despite these challenges, the Congo is not without means. The Congo has some of the world's most important reserves of numerous strategic and precious resources (copper, cobalt, uranium, colombo-tantalite, diamonds, gold…). It is currently estimated that the DRC has 12 per cent of the world's reserves of copper and almost half the world's cobalt reserves (56 million tones of copper out of total of 480 million[2] and 3.4 million tonnes of cobalt out of a total of 7 million[3]). Until 1980, the mining industry in Katanga, where the copper and cobalt ore bodies are found, was the Congolese State's main source of revenue and it also made an essential contribution to the province's social well being. In recent years, the price of these raw materials has seen an unprecedented rise on the world markets, largely as a result of growth in the Chinese economy. Copper which traded at less than $ 2000 a tonne in 2002 is now traded at more than $ 6000 a tonne today and the price of cobalt which was less than $ 7 a pound in 2002 has increased to more than $28 in 2007. (See annex 1 – Copper and Cobalt Prices on the International Market) The former head of Gécamines, Robert Crem, estimates that the actual value of Katanga's proven reserves is $ 300 billion.[4]

The mining sector is vitally important for the reconstruction of the DRC. Since 1995, at the behest of successive Congolese governments and later seemingly with the approval of the World Bank, there has been a proliferation of public private partnership agreements in this sector, particularly in Katanga.[5] What can be done to ensure that these joint venture agreements contribute to sustainable development, good governance and the struggle against corruption? This is the key question for the future of the country. We will try to answer it by referring to the three most important joint venture agreements signed during the war years and the period of transition (Gécamines alone has thirty such agreements). These three joint venture agreements concern, according to reliable sources, between 50 and 75 per cent of the

DRC's copper and cobalt reserves and form an important part of Katanga's industrial capacity.[6]

2. Lack of Transparency in Public-Private Agreements that appear to be extremely disadvantageous to the DRC

In mid 2005, the Transitional Government approved three joint venture contracts between *La Générale des Carrières et des Mines (« Gécamines »),* the DRC's main state owned mining company, and a number of foreign private companies: Kinross Forest Ltd (now Katanga Mining Ltd), *Global Enterprises Limited (« GEC »* - now Nikanor Plc) and a consortium formed by Phelps Dodge Corporation and a subsidiary of the Lundin Group called Tenke Mining Corporation. An outline of the three partnerships is given in an annex to this memorandum, including information on their origins, objectives, structure, shareholdings, board, finance and the status of the three projects (see Annexes 2-4: Partnership Agreements).

With a total lack of transparency the government negotiated, signed and approved these joint venture agreements without an international tendering process. In November 2003, when the agreements were still being negotiated, the consultants, IMC Group Consulting Ltd, appointed by the World Bank on behalf of the Congolese Government to conduct an audit and to define a new business plan for Gécamines, recommended that all on-going negotiations should be immediately halted and that steps should be taken to prepare for a wholesale renegotiation of the joint venture agreements[7]. **IMC's recommendation was based on a detailed and extremely critical analysis of the status of Gécamines' joint venture and commercial contracts[8].**

In June 2005, before the joint venture agreements had been ratified by the Congolese Governent, the Lutundula Commission's report (**Congolese Special Parliamentary Commission Charged with Examining the Validity of Economic and Financial Agreements Signed during the War**) recommended that all negotiations concerning the units of production and the ore bodies referred to in these three contracts should cease . The Commission was concerned "*to avoid Gécamines being deprived of its installations and ore bodies, which form the backbone for its recovery*" and to ensure that a series of measures were put in place to guarantee transparency, good governance and prevent corruption.

In an internal memorandum of September 2005 addressed to the DRC country operations department, **Craig Andrews, the World Bank's chief mining expert,** gave his evaluation of the three mining contracts that the transitional government had just approved**.**[9] The memorandum discussed the terms of the contracts, the manner in which they had been negotiated and the possible negative impact on the value of national assets in the absence of any international bidding process. Below are some of the concerns raised by the World Bank expert:

- Lack of thorough analysis and valuation of the assets to be privatized.
- Lack of competitive bidding process and a complete lack of transparency with respect to the negotiations, approval and content of these contracts.
- The dimension of the mineral reserves to be transferred exceeds the capacity of the private partners to exploit them efficiently, which runs the risk that the reserves will be used speculatively; with the exception of *Phelps Dodge*, the technical and financial competence of the companies to fully honour their obligations by virtue of the contracts is open to question.
- *Gécamines* remains responsible for the financial liablities attached to the transferred mineral and producing assets, even though Gécamines no longer has an asset to produce revenues to meet its financial obligations.
- Management fees and other 'pass-through' expenses to be charged to the joint venture may be excessive and/or are ill-defined in the contracts. Benefits to *Gécamines* in terms of dividends and share of the profits may be significantly reduced
- There are significant conflicts of interest in the contracts whereby the partners may also be suppliers and/or vendors of goods and services.
- Shareholder loans, 'carry' of Gécamines' shares of the venture, interest rates and other financial terms and conditions may pose significant conflicts of interest and be on terms highly unfavourable to Gécamines .
- Financial contributions (equity instead of loans) of the private companies to the joint venture are unclear and ambiguous. The companies appear to commit themselves only to producing a feasibility study; under normal practice it would be appropriate to require firm commitments for phased investments.

In December 2005, before the World Bank's internal memorandum had been circulated, the NGOs, *11.11.11.*, *Broederlijk Delen* et *RAID*, asked an internationally renown law firm, ***Fasken Martineau DuMoulin*** (*Fasken*) to review two joint venture contracts which they had obtained concerning *Kinross Forrest Ltd (Katanga Mining Ltd)* and *Global Enterprises Ltd* (*Nikanor*). On 19 February 2006 *Fasken* submitted its opinion of the contracts on the basis of its experience of current practice in the mining sector in Africa. Curiously, on 3 March 2006, without any explanation or prior consultation with its NGO clients and after its legal opinion had already been made public, Fasken's management sent a letter to the President of the World Bank informing him that it had retracted its opinion because "unfortunately [it] was released without partner review". According to Fasken's letter, the advice on the two contracts did not reflect their opinion and should not be attributed to the law firm. There is a theoretical question as to whether Fasken is able unilaterally to retract legal advice once it has been acknowledged as the firm's opinion and it has been provided to clients on the company's letter headed paper. However, irrespective of the fact that Fasken does not wish this advice to be attributed to the law firm, one cannot fail to notice that its conclusions corroborate the analysis of the World Bank's mining expert, which at that time was not known. The advice contained some additional elements which raised doubts about the fairness of Gécamines ' remuneration. The advice pointed to the remuneration of the exclusive exploitation rights and the rent to be paid for the rented equipment and installations. This according to the legal advice was abnormally low: 1.5 to 2 per cent of the 'NET Sales Revenues' whereas the usual practice in mining contracts in Africa is for royalty payments of between 1.5 per cent and 3.5per cent of gross revenues, or between 10 per cent and 15 per cent of net sales revenues.

In September 2006, Mining engineer, M. **Kalala Budimbwa**, a former manager at *Gécamines* who since January 2005, had been the *chef de cabinet* of the last Minister of Mines, Ingele Ifoto submitted a report he had prepared to the World Bank. In his report M. Kalala estimates the value of the *Gécamines'* concessions awarded under these contracts.[10] On the basis of a number of parameters – costs of installation of the capacity of production, global cost of production, price of copper and cobalt on the world's markets – M. Kalala calculates the internal rate of return of the projects and the value of the concession in relation to the contribution provided by the private sector partners. His conclusion is that these are unfair contracts. Kalala expresses his fear that these joint venture agreements may have "a very negative impact on the contribution of the entire mining sector to the Congo's national development." Some observers regard Kalala Budimbwa's initiative as a political manœuvre related to the second round of voting in the presidential elections. Whatever his motives may have been, M. Kalala puts his finger on a question to which the Congolese people have a right to an answer: what are the respective benefits for the private partners and the DRC from these joint venture agreements? The most elementary principles of good governance require that the answer to this question should have been given by the parties to the contract before it had been signed and sealed.

The only source of information that the Congolese have are the companies in partnerships. What do they have to say about the advantages that the DRC will be able to draw? **Katanga Mining (Kinross-Forrest)** is planning on investing USD 658 million for an annual production of 150,000 tonnes of copper and 5,000 tonnes of cobalt. The company claims that its partnership with the *Gécamines* is going to create 2,500 jobs and the profit for the DRC in the 20 years to come will amount to USD 2.1 billion. This profit would come from tax receipts, royalties, salary expenditures and social projects (health, education, vocational training).[11] **Nikanor** has announced that it wants to invest USD 1.3 billion for an annual production of 250,000 tonnes of copper and 25,000 tonnes of cobalt. The company says that it will create 1,500 jobs in the Congo and up to 4,000 jobs during the construction stage. A foundation has been set up to manage social projects (infrastructure, education, health, entrepreneurship) . Nikanor has estimated that the financial profit for the DRC (tax receipts, royalties, dividends) for the 30-year project is USD 7.8 billion, i.e. 45% of the total profit of the project.[12] **Phelps Dodge/Tenke Mining** is planning to invest USD 650 million for an initial annual production of 115,000 tonnes of copper and 8,000 tonnes of cobalt. The consortium has stated that 2,000 people are employed for the construction work and that approximately 1,000 people will be employed in the initial stage of the operations. Social projects are currently being set up (wells, schools, agriculture, health, micro-enterprises). Phelps Dodge estimates that 60 to 65% of the financial flows generated from the partnership are likely to stay in the DRC in the form of taxes, royalties, dividend and the purchase of equipment but the company does not provide any figures in its estimate.[13] The major variations in the figures given by the companies and the lack of information backing up these statements call for caution. There are other concerns about the presence of off shore companies located in tax havens in the configuration of these partnerships.[14]

An independent assessment of the advantages of these partnerships for the Congo may be seen in the financial audit done by the company **Ernst & Young**. The legality of the partnership contracts, questioned on several occasions[15], was audited by law firm **Duncan Allen**. Both audits were commissioned by the World Bank for the use of the Congolese Government. They were completed in 2006 but very little information on the findings of these audits has been made public to date. Paul Fortin, the current head of *Gécamines*, who was appointed to this position thanks to the intervention of the World Bank, stated to the press that the legal audit of the World Bank had revealed "some mistakes in the legal aspects".[16]

3. The attitude of the international community and the Congolese government in question

Since 2001, the World Bank has funded and closely supported the reform of the mining code and the privatisation of *Gécamines*. Its most high-ranking officials have stated that several of the concerns raised here are "at the centre of the World Bank's dialogue with the transitional government."[17] Despite this statement, however, one can only conclude that the World Bank's policy in the mining sector to date has failed. The most skeptical may believe that the partnerships would not have been concluded had it not been for the tacit agreement of the World Bank. The **DRC's main donors** during the transition period, the CIAT Committee (International Committee in Support of the Transition), only formally included economic issues on the agenda in their meetings in the "presidential area" (the President and 4 vice-Presidents) at the end of 2005. However we know that the mining contracts were the subject of intense informal diplomacy. Since the DRC is a country that is heavily dependent on international aid one cannot ignore the influence of the donor governments, or their responsibility. But, irrespective of the responsibility of World Bank and the CIAT countries, the primary responsibility of the **transitional Congolese Government** in negotiating and signing the contracts must not be overlooked.

There is currently a proliferation of **new international initiatives** for the mining sector in the DRC. Nevertheless nothing seems to be in the pipeline to help the new Government free itself from the shackles that are weighing down on the country's development in the form of mining conventions, a legacy of the transitional government. Belgium and Germany have decided to invest in the fine-tuning of certification and mineral traceability certification systems (copper and cobalt for Belgium and Coltan for Germany). The UK supports the Extractive Industries Transparency Initiative (EITI) and would like to bolster local development in mining areas via public/private partnerships. Several bilateral and multilateral sponsors want to invest in strengthening Congolese institutions in charge of the mining sector or related areas like customs. The control of abuses in the small-scale mining sector like child labour is also one of the new, international priorities. Most of these initiatives are significant. They are likely to increase transparency and good management in the mining sector, thereby helping to improve the income that the country draws from its resources. Some of these projects, like the one on traceability and the certification of minerals, deserve careful consideration.

With respect to mining contracts, the Congo's international partners have asked the Government in the **Good Governance Contract** to publish "key elements and the analysis of existing partnership agreements in the sector of the extractive industries and the renegotiation of these agreements should this be necessary".[18] The purpose of the "Good Governance Contract", drawn up under the leadership of the World Bank and the European Commission and approved by the Congo's main donors, is to translate into concrete action strategies outlined in the Poverty Reduction and Growth Strategy Paper (PRGSP). Yet recent statements from these same donors show that there is still some uncertainty as to their genuine willingness to have recent contracts renegotiated. The Belgian Minister for Foreign Affairs, Karel De Gucht, for example, has stated that the priority lay elsewhere, *"because the revision of these contracts is likely to prompt lengthy legal proceedings that only the lawyers will benefit from."*[19] The mandate of the working party created by the Belgian Minister to promote transparency in the Congolese mining sector (*Task Force on Mineral Resources in Central Africa*) does not include any reference to the partnerships. No lawyers sit on the working party.

Paul Fortin, the current Managing Director of *Gécamines*, appointed with World Bank support to this position, has opened the door to a revision of the contracts following publication of an internal memorandum by Craig Andrews (the mining expert of the World Bank, see above) in the *Financial Times* in November 2006.[20] Mr. Fortin had previously limited himself to flagging up the problem of non-execution of the contracts by *Gécamines'* partners.[21] Nonetheless it would seem that Paul Fortin's days at the head of *Gécamines* may be numbered: on 26 February 2007 *Sofreco*, the consultancy firm that had hired him, sacked him. But he was almost immediately reinstated following a strike by *Gécamines* workers.

Very little is yet known about the intentions of the **Government that was elected in 2006**. By including the donors' Good Governance Contract in its Government Programme, it seems to be taking the course of transparency and clearing the way for the revision of the contracts. Indeed, the Good Governance Contract provides for "the publication of all future contracts concluded in the mining and forestry sectors that the State and public companies participate in."[22] As we have already said, for the existing partnerships, the text provides for "the publication of key elements" and the "renegotiation of these agreements if necessary". However, reading the Government Programme itself leaves a wholly different impression. At present the section dealing with the mining sector does not mention the issue of the agreements signed under the transition at all. The Congolese Government merely states that "the restructuring and liberalisation process of the mining sector started in 2004 across the country has not borne all its fruits yet."[23] Among its priorities the Congolese Government has made provision for "the completion of the implementation of reforms in the mining sector" and the "setting-up of a mechanism to monitor the execution of mining contracts."[24] The renegotiation of the contracts is not on the agenda. The inconsistencies between the text written by the Congolese Government and the original donors' text highlights the relevance of a question that a lot of people are asking: Will Prime Minister Gizenga dare go back on conventions approved by President Kabila during the transition? It is feared that he may not be able to for lack of political support and backing from the international community.

4. A fair share for Congo? Conclusions and recommendations

The Congolese Government and its partners must do their utmost so that the Congolese people are able to derive the benefit from the public-private partnerships in the mining sector, to which they are entitled. Failing this the mining potential of the DRC will not become the engine of the country's reconstruction and development and its fledgling democracy will not be able to take root. To **guarantee that the Congolese people** get **a fair share of the profits from the mining resources** three essential conditions must be met:

(1) **Total transparency on the part of the Government and the World Bank about the mining contracts of the past.** The Congolese are entitled to find out how their national heritage was disposed of. To this end:

- The financial audits (Ernst & Young) and legal audits (Duncan Allen) commissioned by the World Bank for the use of the Congolese Government should be made public;

- The mining conventions and their addenda, the feasibility studies, the economic models and financial plans must be available to Congolese MPs and to civil society organisations working to promote good governance.

(2) The Congolese Government, with the assistance of the international donor community, should set up a working party made up of independent Congolese and international experts in order to:

- **Revise all mining contracts signed during the war and the transition with a view to renegotiating, revoking or canceling them;**
- **Set up an independent mechanism to monitor the execution of contacts**.

The most important of *Gécamines* joint venture agreements, including the contracts with *Kinross Forrest Ltd, Global Enterprises Corporate Ltd.* and *Phelps Dodge Corp./Tenke Mining*, must be revised first. The new Congolese Government and its donors could learn from the experience in Liberia. In December 2006, with the help of legal experts from the US President Ellen Johnson-Sirleaf was able to renegotiate a major mining contract that had been signed by the transitional government with the Arcelor-Mittal group, the provisions of which were disadvantageous to the country.[25]

(3) **The conditions for the transparent and fair management of mining resources must be put in place.** We commend the different initiatives of the Congolese Government and the donor community that may well contribute to the realization of these aims, such as the Extractive Industries Transparency Initiative (EITI), technical assistance to Congolese institutions and projects to improve the working conditions of small-scale, artisanal miners.

---

[1] UNDP, Human Development Report 2006.

[2] See *La Stratégie de la Gécamines.* Presentation by Paul Fortin, Administrateur Délégué-Général Gécamines, Liege, Belgium, 12/01/2007 et US Department of the Interior. US Geological Survey. *Mineral Commodities Summaries 2006*, pag 53. See: http://minerals.usgs.gov/minerals/pubs/commodity/copper/coppemcs07.pdf.

[3] *Mineral Commodities Summaries, January 2007*, pag 195, Appendix C. See: http://minerals.usgs.gov/minerals/pubs/mcs/2007/mcsapp07.pdf
[4] Robert Crem, *Trends*, 1/6/2006.
[5] Fatal Transactions - IPIS, *The State vs. the people*, p. 28-33.
[6] Estimation of IPIS on the basis of the : News Release Katanga Mining 22 Feb 2007. Announcement of new reserve estimates as of 31/12/2006. (see http://www.katangamining.com/news/news-releases/pdf/070222.pdf); Technical Report GEC, 26 June 2006. Incorporated in Prospectus Nikanor. (See http://www.nikanor.co.uk/downloads/Prospectus.pdf); Kalala Budimbwa, *Valorisation de la Gécamines engagées dans les contrats: Chemaf, KMT Tenké Fungurumé, KCC; GEC; et necessité de révision de ces contrats pour protéger les intérêts de las République*, Kinshasa, Septembre 2006.
[7]IMC *La restructuration de la Gécamines : Présentation et Recommandations Preliminaires ;* Kinshasa, le 26 septembre 2003.
[8] IMC Group Consulting Ltd: Restructuration de la Gécamines, Volet 6. Partenariat février 2004; Bureau Central de Coordination – Contrat No 018/BCECO/SC Projet No. M5670C – Phase 2.
[9] Craig Andrews, Principal Mining Specialist, COCPO (oil, gas and mining policy division of the World Bank), Office Memorandum to Pedro Alba, Country Director DRC, , 8 september 2005, *Contracts between Gécamines and Private Companies*.
[10] Kalala Budimbwa, Valorisation des concessions de la Gécamines engagées dans les contrats : CHEMAF, KMT, TENKE FUNGURUME, KCC, GEC ; et nécessité de révision de ces contrats pour protéger les intérêts de la République. Kinshasa, Septembre 2006.
[11] *Building a leader copper company*, Katanga Mining presentation at INDABA, South Africa, 7 February 2007
[12] Nikanor Project presentation at INDABA mining conference, Cape Town, 7 February 2007. Richard Boorman, Nikanor Investor Relations, email to IPIS, 20 Decembre 2006.
[13] Paul K. Conibear, President of Tenke Mining Corp.,*Tenke Fungurume Feasability Study Completed*, communiqué de presse, 26 février 2007; Pete Faur, Vice president Corporate communications, Phelps Dodge, email to IPIS, 13 décembre 2006.
[14] See *Closing the Floodgates*, chapter 4, page 42-56, *How companies reduce their tax bills*, Tax Justice Network, 2007, Commissioned by the Norwegian Ministry of Foreign Affairs. (http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11607)
[15] See more particularly: Robert Crem, conférence Fatal Transactions, 23-24 novembre 2005, Expert meeting on DRC's natural treasures (http://www.fataltransactions.org/DRC-conference/index.html, le texte de son exposé est disponible sur http://www.congolite.com/polsoc101.htm); Kalala Budimbwa, op.cit., Kinshasa, septembre 2006.
[16] *Congo mining chief puts private sector contracts under spotlight*, Financial Times, 20 July 2006.
[17] Gobind Nankani, Vice-President, Africa Region, letter addresed to 11.11.11, Broederlijk Delen et Raid, The World Bank, Washington DC, 06 March 2006.
[18] Government of the DRC, Government Programme, Annex: Good Governance Contract March-December 2007, Kinshasa, February 2007, p.11.
[19] Interview given to MO* magazine, no.39, December 2006, p.27 (http://www.mo.be/index.php?id=62&tx_uwnews_pi2[art_id]=17046)
[20] *Transparency fears lead to review of Congo contracts*, Financial Times, 03 January 2007.
[21] *Congo mining chief puts private sector contracts under spotlight*, Financial Times, 20 July 2006.
[22] Government of the DRC, Government Programme, Annex: Good Governance Contract March-December 2007, Kinshasa, February 2007, p.9.
[23] Government of the DRC, Government Programme (2007-2011), Kinshasa, February 2007, al. 1.4.2.3 p.20.
[24] *Idem*, al 2.2.5.2. p.44, 45.
[25] *Mittal overtroeft broer in Liberia*, De Standaard, 12 December 2005.

The International Peace Information Service (IPIS) developed the annexes to this memorandum and contributed to the research. IPIS is a research NGO, which focuses on arms trafficking, exploitation of natural resources and socially responsible business in Sub-Saharan Africa.

Annexes

1. **Copper and cobalt reserves and prices**

2. **Company Structure: Katanga Mining/Kinross Forest**

3. **Company Structure : Nikanor/GEC**

4. **Company Structure: Tenke Mining/Phelps Dodge**

Annex 1 – Copper and cobalt prices on the international market

1. Cobalt

Cobalt prices have seen a serious fluctuation over the last decades. Between 1989 and 2005 average prices for 99.80% Co have been between 7 $/lb[1] and more than 30 $/lb[2]. See figure A. On 07/03/2007 average price for 99.80% Co was 29.50 $/lb[3]. See figure B.

2. Copper

Copper prices have risen strong since 2000. In 2002 the price was only 1557 $/tonne Cu[4]. In 2006 prices reached a high of 6736 $/tonne Cu[5]. See figure C. Prices are dropping again, but are still high. On 09/03/2007 Cu price for cash delivery was 6130 $/tonne.[6]

---

[1] *Cobalt Facts*, 2006, Cobalt Development Institute, pag 63, see: http://www.thecdi.com/cdi/images/documents/facts/Cobalt_Facts-Supply_and_Demand.pdf

[2] *Cobalt Facts*, 2006, Cobalt Development Institute, pag 63, see: http://www.thecdi.com/cdi/images/documents/facts/Cobalt_Facts-Supply_and_Demand.pdf

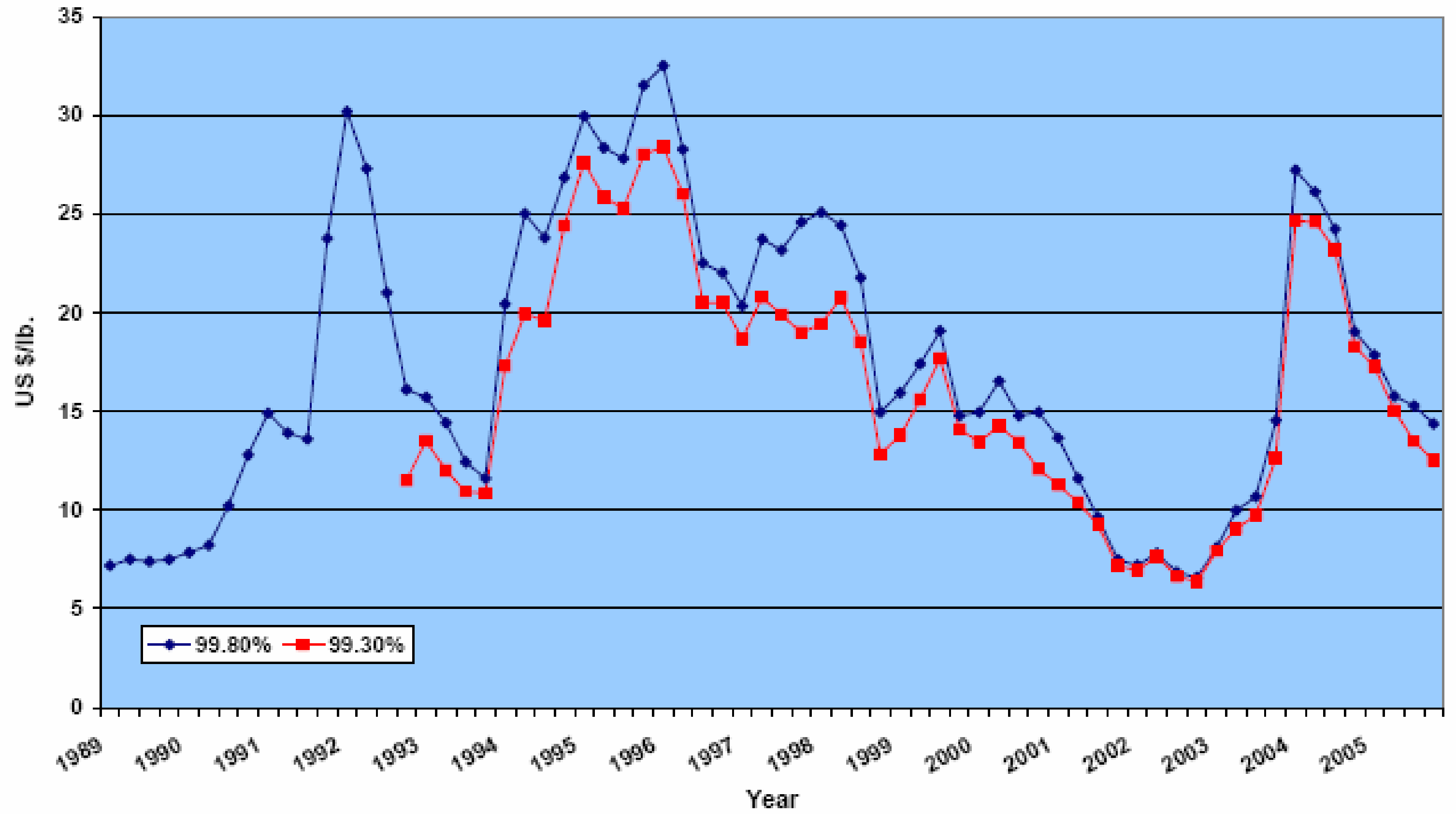
[3] Industry sources. See figure based on Co prices for period 07/01/1993 to 07/03/2007.

[4] Brook Hunt January 2007. Refined copper market balance & copper price 1995-2008.

[5] Brook Hunt January 2007. Refined copper market balance & copper price 1995-2008.

[6] Industry Sources

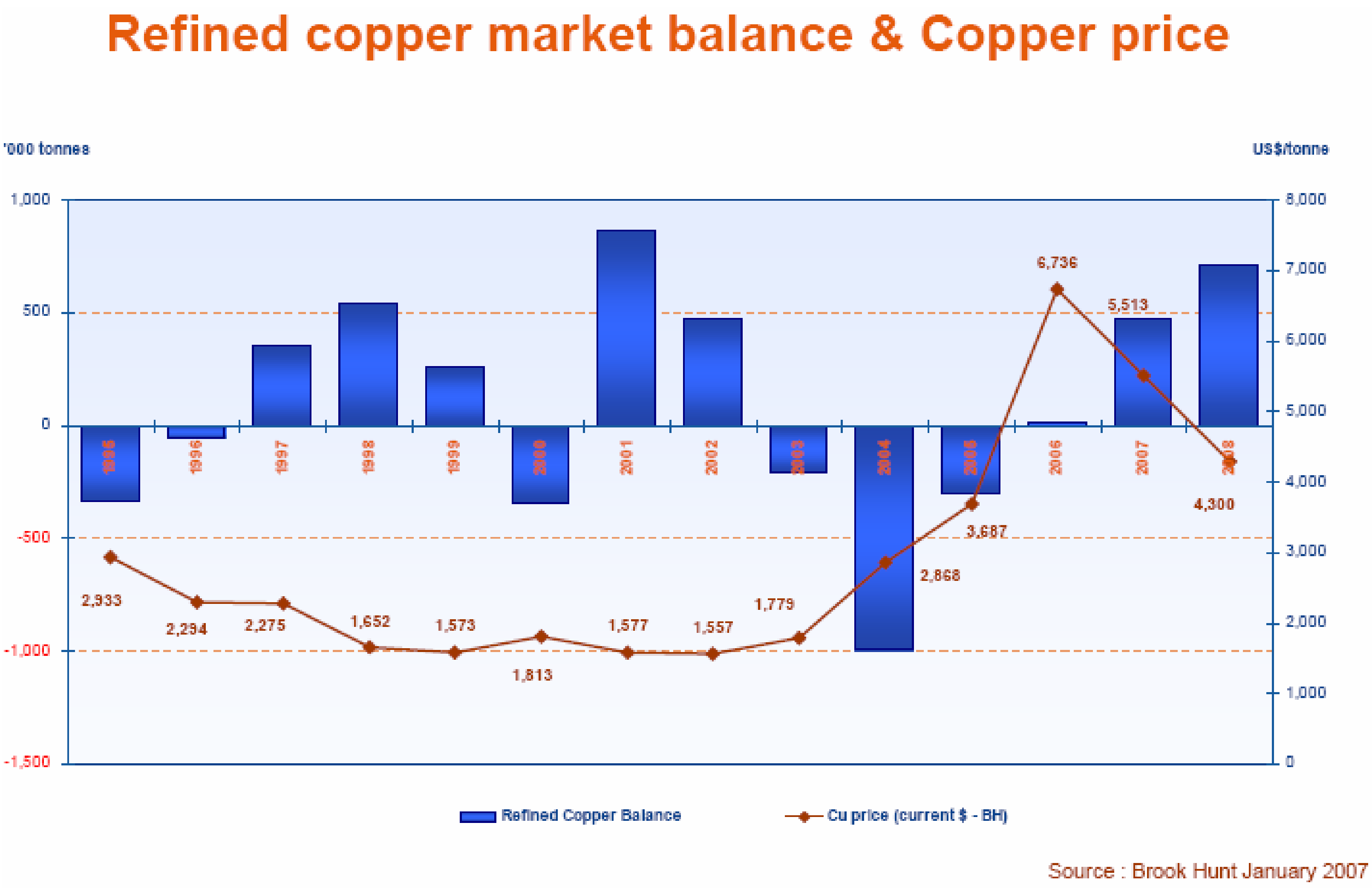
Figure A: Cobalt Development Institute. Price evolution Cobalt 1989 – 2005. [1]



[1] *Cobalt Facts*, 2006, Cobalt Development Institute, pag 63, see: http://www.thecdi.com/cdi/images/documents/facts/Cobalt_Facts-Supply_and_Demand.pdf

Figure B: Industry sources. Figure based on Co prices for period 07/01/1993 to 07/03/07.

Figure C: Refined copper market balance & copper price 1995-2008. Source: Brook Hunt January 2007



Annex 2 - *Gécamines - Kinross Forrest Ltd* (*Katanga Mining Ltd*)

1. Project description

On 07/02/2004 a Joint Venture Contract n° 632/6711/SG/GC/2004[1] is signed by La Générale des Carrrières et des Mines (Gécamines) on one hand, and by Kinross-Forrest Limited (KFL) on the other hand, establishing a Joint Venture Company named Kamoto Copper Company SARL (KCC). KCC is 75% owned by KFL and 25% by Gécamines. The contract is approved on 04/08/2005 by Presidential Decree n° 05/070[2]. The contract grants KCC the right to perform mining activities in the Kolwezi district in the Katanga province, south-DRC for the next 20 years, possibly extended with two more periods of 10 years. In the 15.235 hectares area awarded to KCC are the underground Kamoto mine (Kamoto Principal and Etang) the DIMA open-pit mines Dikuluwe, Mashamba East and Mashamba West; the Musonoie T17-site, the Kamoto Concentrator and the Luilu metallurgical plant plus all present infrastructures[3].

2. Partnership history

2.1. Negotiations and project approval

- June 2001: start of negotiations between KFL and Gécamines.
- 07/02/2004: Gécamines and KFL sign a joint venture agreement.
- 19/07/2005: The Council of Ministers approves the joint venture agreement of Gécamines with KFL[4]
- 4/08/2005: The President ratifies the Kamoto agreement by decree.[5]
- 20/02/2006: Transfer of the mining permits by Cadastre Minier to the joint venture company.

2.2. From Kinross-Forrest Ltd to Katanga Mining Ltd

History of Katanga Mining limited and how the company became 75% shareholder in the KCC joint venture company.

- 07/10/1996: New Inca Gold Ltd. is founded and registered on Bermuda[6]. New Inca trades on the Toronto Stock Exchange.
- 08/07/2004: Change of name: New Inca Gold becomes Balloch Resources Limited[7].
- 29/07/2005: Balloch Resources acquires an option to take over 100% of the Kinross Forrest Limited shares[8].
- 30/11/2005: Change of name: Balloch Resources becomes Katanga Mining Limited[9].
- 12/12/2005: KML uses its option in KFL. KML pays 4.711.232 $ to KFL-shareholder Kinross Gold Corporation and is now owner of 23,33 % of the KFL shares[10].
- 26/06/2006: KML obtains the remaining 76,67% of KFL shares by offering 35.001.500 Katanga shares and paying 800.000$[11]. KML is now 100% owner of KFL and as a consequence also 75% owner of the Kamoto project.

---

[1] *Convention de Joint Venture 632/6711/SG/GC/2004*, 07 February 2004.
[2] *Journal Officiel de la République Démocratique du Congo*, première partie – n° 21, 1 November 2005
[3] *Amended Technical Report*, page 10, 3.2 Property, 23 June 2006.
[4] 'Conseil des ministres du mardi 19 juillet 2005', in : *Le Potentiel*, 21 July 2005.
[5] Presidential decree n° 05/070 on 04 August 2005.
[6] New Inca Gold Annual report 1997, 19 February 1998, www.sedar.com
[7] Balloch Resources Annual report 2004, 17 February 2005, www.sedar.com
[8] News Release, *Balloch obtains option to acquire 75% interest in Kamoto Joint Venture in the Democratic Republic of Congo*, 02 August 2005. See http://www.katangamining.com/news/news-releases/050802.html
[9] Katanga Mining Annual Report 2005, 17 February 2006 www.sedar.com
[10] Katanga Mining *Interim Financial Statement (unaudited)*, page 5, item 2, *Reverse Takeover Accounting*,14 August 2006, www.sedar.com
[11] Ibidem

3. Katanga Mining Ltd

3.1. Basic data

Company address:	120 Adelaide Street West, Suite 2400 Toronto, Ontario, M5H 1T1, Canada
Registered in:	Bermuda
Registered on:	07/10/1996
Stock Exchange:	Toronto Stock Exchange
Listing date:	28/06/2006
Symbol:	KAT
Market Capitalisation:	756,963,517 CAD on 09/03/2007 (or 641,459,813 USD)[12]
Price of share:	9.70 CAD on 09/03/2007 (or 8.22 USD) [13]
Shares issued:	78.037.476 on 09/03/2007

3.2. Company Structure

Katanga Mining Limited, registered in Bermuda but with corporate address in London, is the 100% owner of KFL and also the 75% owner of the Kamoto Copper Company. Below is a scheme of the corporate structure[14]:

Kamoto Operating Limited (KOL)
Registered in DRC
Subcontractor of KCC

Kamoto Copper Company SARL (KCC)
Registered in DRC
Joint venture company owned by KFL (75%) and Gécamines (25%)

Kinross Forrest Limited (KFL)
Registered in British Virgin Islands[15]
On 26 June 2006 KML took over KFL - KFL is now a 100% subsidiary of KML[16]

Gécamines

Katanga Mining Limited (KAT)
Holding company
Registered on Bermuda – 7 Oct 1996[17]
Listed on Toronto Stock Exchange – 28 Jun 2006[18]

---

[12] 09/03/2007: 1 CAD = 0.84741 USD
[13] Ibidem
[14] See http://www.katangamining.com/about/structure.html
[15] *Amended Technical Report*, page 31, 6.4 *The nature and extent of title*, 23 June 2006
[16] *Notice of Change in Corporate Structure*, 12 October 206, www.sedar.com
[17] Bermuda register, https://www.roc.gov.bm/roc/rocweb.nsf/public+register/l+public+companies
[18] Company profile Katanga Mining Limited, www.sedar.com

3.3. Shareholder structure

Below is a shortened overview of the original KFL shareholders and eventually of the KML shareholders after the take-over on 26 June 2006[19].

KFL Shareholders[20] before the take-over:			
35% **Kinross Gold Corporation** Registered in Canada on 31 May 1993[21] Listed on TSX and NYSE	12,5% ***Robert M. Buchan***	12,5% **Tain Holdings Limited** (Arthur Ditto)	40% **George Forrest International Afrique SPRL**

KML shareholders after take-over[22]. shares issued: 76,934,295					
7,48% 5,751,500 shares. Till September owned by Kinross Gold, but then sold[23].	8,35% 6,425,000 shares **Robert M. Buchan**	8,46% 6,505,000 shares **Tain Holdings Limited** (Arthur Ditto)	24,44% 18,800,000 shares **George Forrest Intern Afrique Sprl** Owned by George Forrest	27,30% 21,000,000 shares sold in May 2005. A syndicate lead by **GMP Securities Inc.** acted as underwriter[24]	23,97% 18,452,795 shares owners unknown

Kinross Gold Corporation: company with head office in Toronto, Canada. Owner of 8 gold mines in North and South-America, produced about 1,6 million pounds of gold in 2005[25]. Among 8 largest gold producers in the world. The company is listed on the Toronto Stock Exchange.
Tain Holdings: company owned by Arthur Ditto. No further details available.
Arthur Ditto: former senior executive of Kinross Gold Corp. Now in Katanga Mining board. Owner of more than 8% of Katanga shares, which are being managed by Tain Holdings.
Robert Buchan: former senior executive of Kinross Gold Corp. Now in Katanga Mining board. Owner of more than 8% of Katanga shares.

3.4. Board[26]

Robert M. Buchan, non-executive Chairman, Chairman of Quest Securities Corp & formerly Kinross Gold Corp.'s CEO & Chairman
Arthur H. Ditto, CEO, President & Director, Formerly Kinross Gold Corp.'s President, COO & Director.
George Forrest, non-executive vice Chairman, Chairman & CEO of the Forrest Group of Companies.
Malta D. Forrest, Director, Construction Manager and Deputy Managing Director of EGMF and Project Manager for GTL-STL metallurgical plant in Lubumbashi.
Jean-Claude Masangu, Director, Governor of the Central Bank of the DRC and formerly with Citibank.

---

[19] Katanga Mining *Interim Financial Statement (unaudited)*, page 5, item 2, *Reverse Takeover Accounting*,14 August 2006, www.sedar.com
[20] Katanga Mining *Management Information Circular*, page 10, *Summary of transaction*, 23 may 2006
[21] Kinross Gold Corporation Annual report 1996, page 38, *Management's discussion and analysis*, 11 March 1997. See http://www.kinross.com/investors/financials/pdf/96ar.pdf
[22] Katanga Mining *Interim Financial Statement (unaudited)*, page 5, item 2, *Reverse Takeover Accounting*,14 August 2006, www.sedar.com
[23] News Release, *Kinross sells equity interest in Katanga Mining Limited.* 8 September 2006. See http://www.kinross.com/news/982006-1.pdf
[24] News Release, *Katanga Mining Limited Announces Closing of $152 Million Private Placement Financing.* 02 May 2006. http://www.katangamining.com/news/news-releases/060502.html
[25] 2005 Annual Report Kinross Gold Corporation, 31 March 2006, http://www.kinross.com/investors/financials/pdf/05-ar.pdf
[26] Jan 2007 and Feb 2007 Katanga Mining project presentation

Mabunda L. Mudiaya[27], Director, GM of a DRC agency that aids and promotes small and medium sized enterprises in the industrial & agricultural sector. Formerly with Citibank.
Thomas Pladsen, Director, Formerly Chief Financial Officer for both C.C. Capital Partner Group and Northfield Capital.
Robert Wardell, Director, Formerly with Deloitte & Touch, LLP.

3.5. Management[28]

1 **Arthur H. Ditto,** CEO, President & Director
2 **Anu Dhir**, Vice President, Corporate Development, Experience with CC Capital Partners Group, Easton Drilling Fund LP, Andina Minerals Inc, Geologistics Corp and Gateway Inc.
3 **Rick Dye,** SVP Technical Services, Mining Engineer with over 28 years' experience in operations & mine construction. Formerly Kinross Gold Corp.'s VP Technical Services.
4 **Steve Jones**, CFO & SVP, Over 26 years' experience in accounting and finance for natural resource companies. Formerly CFO of Freeport McMoRanCopper & Gold Inc.
5 **Jean Louis LaBelle**, Sr. Project Manager, Civil engineer; over 30 years in project management in North America. Last 13 years managing major projects in Africa w/ SNC-Lavalin.
6 **René Nolevaux**, SVP & Managing Director Operations, Mining Engineer with more than 40 years' industry experience; several years with Gécamines and started career with Kamoto.
7 **Brett Richards**, Vice President, Human Resources**,** Formerly SVP Human Resources Group 4 Securicor and Director Human Resources for Kinross Gold
8 **Allan D. Schoening**, Senior Vice President, Corporate Affairs, Formerly SVP Human Resources Kinross Gold. Experience Barrick Gold, Toromont/Caterpillar, Neilsen Marketing and Schlumberger Limited.
9 **Ben Brabants**[29]**,** former Gecamines

4. Estimated reserves

Katanga Mining Limited has recently updated details for proven and probable reserves for Kamoto project. Latest figures are the result of new reserve estimates as of 31/12/2006[30]:

	Ore Tonnes (000s)	Cu Grade %	Cu Tonnes (000s)	Co Grade %	Co Tonnes (000s)
Total proven and probable reserves	92,999	3.53%	3,281	0.37%	344

5. Project Financing

KML calculated the company would have to spend 426.8 million USD by the end of the start up in 2011. Including replacement of infrastructure by the end of the project an expenditure of 658 million USD is estimated. [31] To fund these investments the company will use a mixture of equity and debt funding. The table[32] below shows the company's financial situation.

[27] Mabunda Mudiaya recently left his position with Katanga Mining to take a ministerial post in the new DRC government. *Who's who among operators in Katanga?* Africa Mining, 21 February – 06 March 2007
[28] Jan 2007 project presentation and Feb 2007 project presentation
[29] *Who's who among operators in Katanga?* Africa Mining, 21 February – 06 March 2007
[30] News Release Katanga Mining 22 Feb 2007. Announcement of new reserve estimates as of 31/12/2006. (see http://www.katangamining.com/news/news-releases/pdf/070222.pdf)
[31] Katanga Mining project presentation, 12 Jan 2007.
[32] *Building a leader copper company*, Katanga Mining presentation at INDABA, South Africa, 7 February 2007

Capitalization	
Share capitalization 12/31/06	78,037,476

Financial Overview	
Equity (May 2006)	US$128 million
Corp. Debenture (Oct 2006)	US$100 million
Project Debt (Sept. 2007)	US$260 million

Working Capital	
Cash as of 12/31/06	US$197 million

Equity referred to in the above given financial overview is the result of a deal with GMP Securities[33]. On 2/05/2006 21.000.000 shares were sold generating 152.250.000 CAD (=129,028,248 USD) [34] cash. Corporate debenture referred to is the result of an offer on the Toronto Stock Exchange. On 20/11/2006[35] the company offered 100.000 units, each one containing one obligation worth 1000$ and 40 warrants.
Project debt is still being negotiated with international banks. The company is positive though this will be dealt with by September 2007.

6. Current Status of Project

Katanga Mining Limited is to become a leading copper company[36]. On 31/01/2007, the company announced the closing of two contracts related to the rehabilitation of the Kamoto Mine[37]. One contract is on structural, mechanical and piping work for the Luilu Metallurgical Plant and Kamoto Concentrator. The other contract is for the electrical and instrumentation work on these two facilities. The Kamoto underground mine and Dima open pits are on schedule to start up in April 2007, Kamoto concentrator should start up in July 2007 and Luilu Metallurgical plant in September 2007. First copper is to be shipped in December 2007. Annual production is estimated at 150,000 tonnes of Cu and 5,000 tonnes of Co[38].

[33] News Release *Katanga Mining Limited announces closing of $152 million private placement financing*, 02 May 2006, News Release, *Katanga Mining Limited Announces Closing of $152 Million Private Placement Financing.* 02 May 2006. http://www.katangamining.com/news/news-releases/060502.html
[34] 09/03/2007: 1 CAD = 0.84741 USD
[35] News Release *Katanga announces completion of $115,000,000 debt offering*, 20 November 2006,. See http://www.katangamining.com/news/news-releases/061120.html
[36] *Building a leader copper company*, Katanga Mining presentation at INDABA, South Africa, 7 February 2007.
[37] Katanga Mining News Release, *Katanga Awards Important Infrastructure Contracts*, 31 January 2007. See http://www.katangamining.com/news/news-releases/pdf/070131.pdf
[38] *Building a leader copper company*, Katanga Mining presentation at INDABA, South Africa, 7 February 2007

Annex 3 - *Gécamines – Global Enterprises Corporate (Nikanor Plc)*

1.Project description

On 9/09/2004 a Joint Venture Contract n° 656/6755/SG/GC/2004[1] is signed by La Générale des Carrrières et des Mines (Gécamines) on one hand, and by Global Enterprises Corporate (GEC) on the other hand, establishing a Joint Venture Company named DRC Copper and Cobalt Project sprl (DCP). DCP is 75% owned by GEC and 25% by Gécamines. The contract is approved on 10/10/2005 by Presidential Decree n° 05/114[2].
Until 3/04/2039 DCP will perform mining activities in the Kolwezi district in Katanga, a province in the south of the DRC. The deal includes the mining concessions of Kananga and Tilwezembe mines and the KOV open pit mine.

2.Partnership history

2.1.Negotiations and project approval

- 5/05/2004: A Preliminary Agreement concerning the KOV mine and related assets is signed. The parties to the joint venture contract are Global Enterprises Corporate (GEC) of Israeli diamond tycoon Dan Gertler and Gécamines.[3]
- 9/09/2004: joint venture agreement is signed entitled « Convention de joint venture entre la Générale des Carrières et des Mines et Global Enterprises Corporate Ltd. relative à l'exploitation de la mine à ciel ouvert de KOV et des gisements de Kananga et de Tilwezembe ».[4]
- 19/07/2005: The Council of Ministers approves the joint venture agreement of Gécamines with GEC.
- 13/10/2005: Presidential decree ratifies the agreement of Gécamines with GEC.[5]
- 17/02/2006: The exploitation permits of Gécamines are transferred to the joint venture company DCP.

2.2.From Global Enterprises Corporate to Nikanor Plc

History of Nikanor and how the company became 75% owner of the DCP joint venture company

- 10/04/2000: GEC is founded and registered on the British Virgin Islands.
- 26/06/2006: Nikanor Plc is founded, registered on the Isle of Man.
- 12/07/2006: Nikanor signs an agreement with the GEC shareholders. Nikanor buys all GEC shares, changing them for Nikanor-shares[6]. GEC is now a 100% Nikanor subsidiary. The DCP project is now 75% owned by Nikanor.
- 17/07/2006: Nikanor's Initial Public Offering on the Alternative Investment Market of the London Stock Exchange.

3. Nikanor Plc

3.1.Basic data

Company address: 15-19 Athol Street, Douglas,
ISLE OF MAN, IM1 1LB, United Kingdom
Registered in: Isle of Man

[1] *Convention de Joint Venture N° 656/6755/SG/GC/2004*, 09/09/2004.
[2] *Journal Officiel de la République Démocratique du Congo*, première partie – n° 21, 01 November 2005
[3] *Convention de Joint Venture N° 656/6755/SG/GC/2004*, 09/09/2004.
[4] Ibidem
[5] Presidential decree n° 05/114 on 13/10/2005.
[6] Nikanor Prospectus, Financial information, *Post balance sheet events*, page 77, 12 July 2006. See http://www.nikanor.co.uk/downloads/Prospectus.pdf

Registered on:	26/06/2006
Stock Exchange:	London Stock Exchange – Alternative Investment Market
Listing date:	17/07/2006
Symbol:	NKR
Market capitalisation:	783,160,000 GBP on 09/03/2007 (=1,512,538,799 USD)[7]
Price of share:	560.00 p (GBP) on 09/03/2007 (or 1.08 USD)[8]
Shares issued:	139,850,000 on 09/03/2007

3.2.Company Structure

Nikanor Plc, registered on the Isle of Man, is the 100% owner of GEC and also 75% owner of the DRC Copper and Cobalt Project:

Democratic Republic of Congo Copper and Cobalt Project sprl (DCP)
Registered in DRC
Joint venture company owned by GEC (75%) and Gécamines (25%).

Phoenix Mining sprl
Registered in DRC
No activity
100% subsidiary of GEC[9]

Nikanor Services Ltd
Registered in the UK[10]
Operating company
100% subsidiary of Nikanor Plc

Global Enterprise Corporation Ltd (GEC)
Registered on British Virgin Islands
On 12 Jul 2006 Nikanor took over GEC. GEC is now a 100% subsidiary of Nikanor Plc.[11]

Gécamines

NIKANOR PLC
Holding company
Registered on Isle of Man – 26 Jun 2006
Listed on the Alternative Investment Market of the London Stock Exchange – 17 Jul 2006[12]

3.3.Shareholder structure

Below is a shortened overview of the shareholders before and after the company's Initial Public Offering on the AIM on 17/072006.

Shareholder structure prior to Nikanor Plc Initial Public Offering (IPO) on 17/07/2006.[13]		
50% **Benny Steinmetz** Shares managed by: **Oakey Invest Holdings Inc.** British Virgin Islands[14]	30% ***Gertner Family*** Shares managed by: **Pitchley Properties Limited**.	20% ***Dan Gertler*** Shares managed by: ***New Horizon Minerals Ltd.*** British Virgin Islands[15]
Shareholder structure after IPO[16] until February 2006 Shares issued: 136,250,000		

[7] 09/03/2007, 1 GBP = 1.9133 USD
[8] Ibidem
[9] Nikanor Prospectus, *Financial Information*, page 63, 12 July 2006. See http://www.nikanor.co.uk/downloads/Prospectus.pdf
[10] https://www.ukdata.com/numbers/05844508.html
[11] Nikanor Prospectus, page 69.
[12] London Stock Exchange, company profile Nikanor: http://www.londonstockexchange.com/en-gb/pricesnews/prices/system/detailedprices.htm?sym=GB00B182MG48GBGBXAMSMB182MG4NKR
[13] Nikanor Prospectus, *Additional Information*, page 93.
[14] Nikanor Prospectus, page 70 *Ultimate Parent Company*.
[15] Ibidem, page 274, *Definitions*

36%[17] 50,350,000 shares Benny Steinmetz **Oakey Invest Holdings**	21,5% 30,000,000 shares Gertner Family **Pitchley Properties Ltd**	14,3% 20,000,000 shares Dan Gertler **New Horizon Minerals (shares held by HFN Trust company)**	7%[18] or 9,795,292 shares **Capital Group of Companies**	21,2% 29,704,708 shares **New shareholders[19].**

Oakey Invest holdings is a subsidiary of BSG (Benny Steinmetz Group) Resources Limited, which is 81% owned by the Balda Foundation. The Balda Foundation beneficiaries are the Benny Steinmetz Family.[20]
Pitchley Properties Limited[21]: No registration details or financial details found. Behind Pitchley is the Gertner Family Trust.
New Horizon Minerals Limited[22]: New Horizon is registered on the British Virgin Islands. Owner is the DGI (Dan Gertler International) Group of Companies, which is specialised in diamonds and investments, which in turn is property of Dan Gertler (Israel).

3.4.DCP Board

DCP Board of Directors[23] is comprised of eight directors, six of whom are appointed by GEC and two by Gécamines. So far seven members are known:
Simon Tuma-Waku – Executive Chairman (appointed by GEC)
James Gorman - Chief Executive Officer (appointed by GEC)
Paul Hug (appointed by GEC)
Lawrence Treadgold (appointed by GEC)
Calixite Mukasa Kalembwe (appointed by Gécamines)
Leon Tshiakwiza Mulenda (appointed by Gécamines)
Emile Mota - Deputy CEO of DCP. Head of human resources[24]. (appointed by GEC)

3.5.Nikanor Board[25]

10 **Jonathan Leslie,** Executive Chairman. Formerly Chief Executive for Rio Tinto and Sappi Limited.
James Gorman, Managing Director. Formerly General Manager of Kansanshi Mine and active for SRK as a Principal Engineer and Associate.
Peter Sydney-Smith, Finance Director. Formerly Finance Director of Magnesium International, Vedanta Resources, BPB plc, and for the British Gypsum Ltd.
Lord Roderick Balfour - The Rt Hon Earl of Balfour, Non Executive Director. Formerly director of Rothschild Trust (a division of NM Rothschild & Sons investment banking group). He is also non-executive director of Bateman Engineering N.V.
Dan Kurtzer, Independent Non Executive. Formerly US Ambassador in Israel en Egypt, Deputy Assistant Secretary of State for Near Eastern Affairs, and Principal Deputy Assistant Secretary of State for Intelligence and Research.

[16] Ibidem, page 51, *Financial Information, Relationship with major shareholders*
[17] Regulatory Announcement on London Stock Exchange, *Notification of major interests in shares*, 15 September 2006
[18] Regulatory Announcement on London Stock Exchange, *Notification of major interests in shares*, 1 December 2006.
[19] Credit Agricole might be among shareholders, as it reported no longer having a notifiable share of 3% or more. But no further information on whether shares were sold or not is available. Regulatory announcement on London Stock Exchange, *Holding in Company*, 24 August 2006.
[20] Nikanor Prospectus, page 93, *Additional Information, Major Shareholders*
[21] Ibidem, page 93, *Additional Information, Major Shareholders*.
[22] Ibidem
[23] Ibidem, page 34, *Board of directors and management, Board DCP*.
[24] Nikanor Operational Update, *Human Resources*, page 2-3, 27 September 2006
[25] www.nikanor.co.uk

Terry Robinson, Independent Non Executive. Non-executive director for the EVRAZ Group SA, Managing Director of InteractiveRecords Management Ltd. Formerly with Chapada Diamonds, Albert Fischer Group Plc, Union International Plc, Lonrho Plc and the Donald Macpherson Group.
Jay Pomrenze, Non-Executive. Formerly with the Bankers Trust Company and consultant at Deutsche Bank. In 1999 he founded Caymen Advisors.
Dr Eric Lilford, Non-Executive. Director of resources, investments and mineral economics for BSG Resources. Co-founder of Resource Finance Advisors in 2004. Experience in South American mining industry. Formerly with the Standard Corporate and Merchant Bank's Corporate Finance Division and the Investec Bank's Resources Finance Division.

3.6.Nikanor Management[26]

James Gorman, Managing Director. Former General Manager of Kansanshi Mine and active for SRK as a Principal Engineer and Associate.
Peter Sydney-Smith, Finance Director. Former Finance Director of Magnesium International and finance director for Vedanta Resources, BPB Plc, and the British Gypsum Ltd.
Larry Treadgold, Chief Metallurgical Officer. Member of the DCP board. Formerly metallurgical engineering consultant for the US, Phelps Dodge, INCO, IMC and Glencore International.
Carel Swart, Chief Technical Officer. Project Development Manager for DCP.
Simon Tuma-Waku, Chief Strategy Officer and Chairman of DCP. Formerly Minister of Mines and Petroleum in the government of Joseph Kabila. Also worked for Citibank and Chevron Oil.
Paul Hug, Finance Director of DCP.
Ben Munanga, Head of Electrical Infrastructure. Formerly with Eskom, the South African electricity company.
Emile Mota, Head of Human Resources. Former Chief of Staff for Laurent Kabila.
Serge Ngandu[27]**,** Head of Metallurgy. Former HATCH Africa Director of Industrial Minerals development.
Michel Sauvenier[28], Head of Mining. Former mine manager at First Quantum's Lonshi copper mine in the DRC.

4. Estimated reserves[29]

Below are the reserves of KOV open pit mines as reported in the June 2006 Technical Report. No details on smaller Kananga and Tilwezembe sites available.

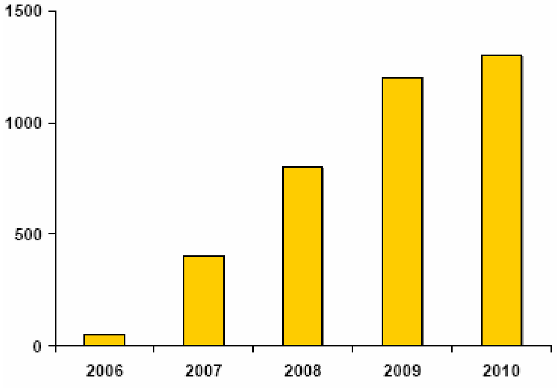
	Ore Tonnes (000s)	Cu Grade %	Cu Tonnes (000s)	Co Grade %	Co Tonnes (000s)
Total proven and probable reserves	140,000	4.83 %	6,757	0.47 %	658

5. Project Financing

Nikanor calculated the company will have to spend 1.3 billion USD by 2010. Part of this is provided by proceeds of initial public offering (IPO) on London Stock Exchange (AIM) on 17/07/2006. After Feasibility Study expenses and paying back of loans, proceeds were 375

[26] www.nikanor.co.uk
[27] Nikanor Project presentation at INDABA mining conference, Cape Town, 6 February 2007. See http://www.nikanor.co.uk/downloads/2007_02_05_pressrelease.pdf
[28] Ibidem
[29] *Technical Report GEC*, 26 June 2006. Incorporated in Prospectus Nikanor. Page 182. See http://www.nikanor.co.uk/downloads/Prospectus.pdf

million USD[30]. IPO proceeds and KZW cash flows (proceeds of Kolwezi concentrator that is already operational[31]) should be enough for 40-50 % of total expenditure. Additional funds is being negotiated with banks and governmental financial institutions. Rothschild has been appointed financial advisor.



capital spend profile – cumulative spend
$1.3bn (based on dfs)

6. Current Status of Project

Full capacity of the project is expected in the fourth quarter of 2009. In the Feb 2007 presentation Nikanor reports the project is progressing to plan. Mining in satellite mines Kananga and Tilwezembe and production at Kolwezi Concentrator started in November 2006. In KOV open pit mine dewatering process has started[32]. In February 2007 a 78 million USD dewatering contract has been awarded to a consortium of Belgian and South-African companies. Another 30 million USD contract for earthworks on the new refinery has been awarded to a leading DRC Contractor[33]. Furthermore the company reports on refurbishment of the roads and on progress of electricity requirements[34]. Also the company is negotiating with banks and governmental financial institutions to complete the project financing.

[30] Nikanor presentation, Central-Africa Conference of RBC Capital Markets, 28 November 2006, http://www.nikanor.co.uk/downloads/NKR_RBC_2006_11_28.pdf
[31] Nikanor Operational Update, 14 December 2006. See http://www.nikanor.co.uk/downloads/NKR_operations_update_14Dec06.pdf
[32] Ibidem
[33] Nikanor Press Release, 5 February 2007. See http://www.nikanor.co.uk/downloads/2007_02_05_pressrelease.pdf
[34] Nikanor Project presentation at INDABA mining conference, Cape Town, 6 February 2007. See http://www.nikanor.co.uk/downloads/2007_02_05_pressrelease.pdf

Annex 4 - Gécamines – Lundin Holdings Ltd (Phelps Dodge Corp /Tenke Mining Corp)

1. Project description

On 30/11/1996 a Joint Venture Contract was signed by La Générale des Carrrières et des Mines (Gécamines) on one hand, and Lundin Holdings Limited on the other hand. But because of the unstable political situation in the DRC no real progress was made on the project until 2005. On 28/09/2005 an Amended and Restated Shareholder Agreement was signed. This Agreement is approved on 27/10/2005 by Presidential Decree[1] n° 05/117. The contract establishes a Joint Venture Company named Tenké Fungurumé Mining sarl (TFM). Originally TFM is 55% property of Lundin Holdings and 45% of Gécamines. But the 2005 amendments change the ownership relation into a 82,5 % for Lundin and 17,5% for Gécamines.
Till the end-of-life of the mine TFM, has the right to perform mining activities in an area of 562 km², located at about 180 km northwest of the provincial capital of Lubumbashi, Katanga, DRC.
There is one important difference with the Katanga Mining and Nikanor projects: TFM is a Greenfield operation, whereas Kamoto and KOV are brownfield operations. This means that at the latter two sites mining activities have taken place before. The TFM site is a new site where no prior mining activities have taken place.

2. Partnership history

2.1.Negotiations and project approval

- 30/11/1996: First joint venture contract signed
- 23/02/1999: Project halted by “Force Majeur”[2]
- 19/07/2005: The Council of Ministers approves the joint venture agreement of Gécamines Lundin/Phelps Dodge.[3]
- 28/09/2005: Details of amendments are agreed on after months of negotiations. Gécamines and Lundin Holdings sign an Amended and Restated Shareholders’ Agreement.[4]
- 27/10/2005; A Presidential decree ratifies the Tenké Fungurumé agreement with Lundin Holdings/Phelps Dodge.[5]

2.2.From Lundin Holdings to Phelps Dodge Corp/ Tenke Mining Corp

- 30/11/1996: Lundin Holdings Ltd and Gécamines sign a joint venture contract.
- 9/12/1996: Tenke Mining Corporation buys all 30 million shares of Tenke Holdings Limited. It pays 153 million CAD. Tenke Holdings is owner of all shares in Lundin Holdings Limited. As a consequence Tenke Mining is the new owner of Lundin Holdings[6].
- December 1998: BHP World Exploration Inc. acquires option to buy a majority share of Lundin holdings[7].
- 23/02/1999: project halted because of “Force Majeure”[8]

---

[1] *Journal Officiel de la Républiqe Démocratique du Congo*, première partie, n° 21, 01 November 2005
[2] Annual Report Tenke Mining Corp. 2004, page 7, *Exploration and project development review*. See http://www.tenke.com/i/pdf/2004AR.pdf
[3] ‘Conseil des ministres du mardi 19 juillet 2005’, in : *Le Potentiel*, 21/07/2005.
[4] Annual Report 2005 Tenke Mining Corp, page 28 – *4.Mineral Properties – Tenké Fungurumé Property*. See http://www.tenke.com/i/pdf/TNK2005AR.pdf
[5] Presidential Decree n° 05/117 on 27/10/2005.
[6] Tenke Mining Annual report 1999, page 15, *Mineral properties, Tenké Fungurumé Property, Acquisition*, 12 April 2000. See http://www.tenke.com/i/pdf/99annual.pdf
[7] Tenke Mining Annual Report 2005, page 28, *Mineral Properties, Tenké Fungurumé Property*,29 March 2006. See http://www.tenke.com/i/pdf/TNK2005AR.pdf
[8] Tenke Mining Annual Report 2004, page 7, *Exploration and project development review,* 24 March 2005. See http://www.tenke.com/i/pdf/2004AR.pdf.

- 13/09/2002: Option Agreement: Phelps Dodge replaces BHP as holder of an option to buy a majority share of Lundin Holdings.[9]
- 31/10/2005: Phelps Dodge closes the option to buy a share in Lundin Holdings. It is now 70% owner of Lundin Holdings[10].
- 19/11/2006: FreePort-McMoran to take over Phelps Dodge. FreePort offers 26 billion USD for the take-over.[11] Until now the fusion has not been completed. The companies are waiting for the shareholders' approval.

3. Phelps Dodge Corp & Tenke Mining Corp

3.1.Basic data

Phelps Dodge Corporation

Company address:	One North Central Avenue, Phoenix, Arizona 85004, USA
Registered on:	10/08/1885
Registered in:	USA - New York
Stock Exchange:	New York Stock Exchange (NYSE)
Listing date:	09/05/1929
Symbol:	PD
Market Capitalisation:	25.70 billion USD
Share price:	125,87 USD on 09/03/2007
Shares issued:	204,143,000 on 09/03/2007

Tenke Mining Corporation

Company address	Suite 2101 - 885 West Georgia Street Vancouver, British Columbia, Canada V6C 3E8
Registered on:	04/07/1978
Registered in:	Canada
Stock Exchange:	Toronto Stock Exchange
Listing date:	19/08/1992
Symbol:	TNK
Market capitalisation:	1,008,556,438 CAD on 09/03/2007 (= 857,211,105 USD[12])
Share price:	16.89 CAD on 09/03/2007 (= 14.36 USD[13])
Shares issued:	59,713,229 on 09/03/2007

3.2.Company Structure

Tenké Fungurumé Mining sarl is a joint venture company owned by Lundin Holdins and Gécamines. Lundin Holdings is owned by Phelps Dodge (70%) and Tenke Mining (30%). As a consequence, there are eventually three TFM owners: Phelps Dodge (57,75%), Tenke Mining (24,75%) and Gécamines (17,50%):

---

[9] Tenke Mining Annual Report 2005, page 28, *Mineral Properties, Tenké Fungurumé Property*,29 March 2006. See http://www.tenke.com/i/pdf/TNK2005AR.pdf

[10] Ibidem; News Release PhelpsDodge, *Phelps Dodge exercises option for Tenké Fungurumé Copper/Cobalt Project*, 02 November 2005. See http://www.phelpsdodge.com/News/NewsArchive/CorpNews110205.htm

[11] Phelps Dodge News Release, *Freeport-McMoRan Copper & Gold to acquire Phelps Dodge, creating the world's largest publicly traded copper company.* 19/11/2006. See http://www.phelpsdodge.com/News/NewsDetails/CorpNews111906.htm

[12] 09/03/2007: 1 CAD = 0.8499USD.

[13] Ibidem.

Tenké Fungurumé Mining SARL (TFM)
Registered in DRC
joint venture company owned by Lundin Holdings (82,50%) and Gécamines (17,50%)

Chui Ltd, Faru Ltd, Mboko Ltd, Mofia Ltd, Tembo Ltd →
100% subsidiaries of Lundin Holdings, registered in Bermuda[14]

Lundin Holdings Ltd
Registered in Bermuda[15]
70% owned by Phelps Dodge and 30% by Tenke Mining Corp

Gécamines

Phelps Dodge Katanga Corporation
Registered in USA
100 % subsidiary of Phelps Dodge

Phelps Dodge Corporation
Registered in USA – 10/08/1885

On 19/11/2006 a merger with Freeport-McMoran Copper and Gold was reported[17], though still not concluded.

Tenke Holdings Limited
Registered in Bermuda[16]
100% subsidiary of Tenke Mining

Tenke Mining Corporation
Registered in Canada – 4 July 1980
Part of Lundin Group of Companies

3.3.Shareholder structure

Below is a shortened overview of the shareholder structure of the two project partners Tenke Mining and Phelps Dodge as of the end of February 2007.

Phelps Dodge Corporation
Registered in New York – USA
204.013.000 shares issued

27,36%
55.820.112 shares known through SEC filings (Securities and Exchange Commission)

72,64%
owners unknown

5,05% or 10.311.600 shares **SAC Capital Advisors LLC**[18]	**9,97%** or 20.338.361 shares **Atticus Management LLC**[19]	**4,38%** or 8.931.158 shares **Barclays Global investors**[20]	**1,67%** or 3.413.734 shares **FMR CORP**[21]	**1,98%** or 4.048.600 shares **Capital Research Management CO**[22]	**1,38%** or 2.816.305 shares **Merrill Lynch & Co Inc**[23]	**1,57%** or 3.195.660 shares **Morgan Stanley**[24]	**1,36%** or 2.764.694 shares **American Express Company**[25]

[14] Phelps Dodge annual report 2005, *List of subsidiaries*, page 654, form 10K on secfilings, http://secfilings.nyse.com/filing.php?doc=1&attach=ON&ipage=3996206&repo=tenk
[15] Bermuda register, https://www.roc.gov.bm/roc/rocweb.nsf/public+register/l+public+companies
[16] Ibidem
[17] Merger agreement as of 19 November 2006. News release Phelps Dodge see http://www.phelpsdodge.com/News/NewsDetails/CorpNews111906.htm
[18] SEC Form SC 13D, 11 December 2006
[19] SEC Form SC 13D/A, 11 October 2006
[20] SEC Form DEF 14A, *Definitive Proxy Statement, Security Ownership of certain beneficial owners*, 13 April 2006
[21] SEC Form SC 13G/A, 10 November 2005
[22] SEC Form SC 13G/A, 10 November 2005
[23] SEC Form SC 13G/A, 09 September 2003
[24] SEC Form SC 13G/A, 14 February 2001
[25] SEC Form SC 13G/A, 14 February 1994 (Ameriprise Financial Inc)

Information above is the result of a search in the SEC-filings on the PhelpsDodge website. Percentages of shares are calculations based on the amount of shares reported in these SEC-filings and the amount of shares issued by the end of February 2007. The figures are not official calculations by the company itself. Therefore this information is to be taken with reservation.

Tenke Mining Coporation

Registered in Canada
58,912,129 shares issued

18,63%
10.977.636 shares[26]

81,37%
47.934.493 shares
owners unknown

Adolph Lundin

Shares managed by following companies owned by Lundin:

Ellegrove Capital Ltd	Abalone Capital Ltd	Lorito Holdings Limited	Zebra Holdings and Investments Limited
Registered in Barbados[27]	Registered in Barbados[28]	800.000 shares	800.000 shares
8.377.636 shares	1.000.000 shares		

Adolph Lundin recently died (30/09/2006). His sons Lukas and Ian, already involved in the Lundin Group of companies, took over his commitments. Tenke Mining is one of ten companies that are in the Lundin Group of companies. Together they have a market capitalization of more than 10 billion USD.

3.4.Phelps Dodge Board[29]

Archie W. Dunham – Retired Chairman of ConocoPhillips.
William A. Franke – Managing Member, Indigo Partners, LLC and Indigo Pacific Partners LLC; Managing Partner, Newbridge Latin America, L.P. Retired Chairman, President and Chief Executive Officer, America West Airlines, Inc.
Robert D. Johnson – Retired Chairman, President and Chief Executive Officer of Honeywell Aerospace.
Marie L. Knowles – Retired Executive Vice President and Chief Financial Officer for Atlantic Richfield Company (ARCO).
Charles C. Krulak – Retired Executive Vice Chairman and Chief Administration Officer of MBNA Corp. (financial services company). Former general in the US Marine.
Jon C. Madonna – Retired Chairman and Chief Executive Officer for KPMG, an international accounting and consulting firm.
Dustan E. McCoy – Chairman and Chief Executive Officer of Brunswick Corporation, a leading manufacturer of high-quality recreational products.
Gordon R. Parker – Retired Chairman and Chief Executive Officer, Newmont Mining Corporation, one of the biggest gold producers in the world.
11 **William J. Post** – Chairman and Chief Executive Officer, Pinnacle West Capital, and Chairman, Arizona Public Service, a subsidiary of Pinnacle West Capital Corporation.
12 **Martin H. Richenhagen** – President and Chief Executive Officer of AGCO Corporation, a leading manufacturer and distributor of agricultural equipment.
Jack E. Thompson – Retired Vice Chairman of Barrick Gold Corporation, a multinational gold mining company.
J. Steven Whisler - Chairman and Chief Executive Officer

---

[26] Tenke Mining Corp Management Information Circular, page 3, 30 March 2006, www.sedar.com
[27] Register Barbados, http://www.caipo.gov.bb/project4/caipodeclist.php
[28] Ibidem
[29] See http://phx.corporate-ir.net/phoenix.zhtml?c=95336&p=irol-govBoard

3.5.Phelps Dodge Management[30]

J. Steven Whisler - Chairman and Chief Executive Officer
Timothy R. Snider - President and Chief Operating Officer
Ramiro G. Peru - Executive Vice President and Chief Financial Officer
S. David Colton - Senior Vice President and General Counsel
Nancy F. Mailhot - Vice President - Human Resources
Arthur R. Miele - Senior Vice President - Marketing
David C. Naccarati – President

3.6.Tenke Mining Board and Management[31]

Lukas H. Lundin - Director, Chairman. Worked for International Petroleum Corporation, Former Chairman of International Musto Exploration Limited, senior Director for Lundin Oil AB.
Paul K. Conibear - Director, President and CEO. Experience in mining projects in Argentina, Chile, North-America and Africa. Formerly with Fluor Daniel Wright and Simons Mining Group (Amec).
Mats Carlsson – Director. Head of Equity Capital Markets for E. Ohman J:or Fondkommission AB. Formerly chairman of Nordic Partners Inc. He also worked for Svenska Handelsbanken Markets Inc (New York) and for Hagstromer & Qviberg (Stockholm). And he is in the board of directors of AIK Fotboll AB in Stockholm.
John H. Craig – Director
Lee A. Graber – Director. Worked for Homestake Mining Company. Former Managing Director of Mergers and Acquisitions for Endeavour Financial Ltd.
William A. Rand – Director. Founded Rand Edgar Capital Corp, which played a central role in the businesses of South Pacific Resources Corp, General Minerals Corp, Mansfield Minerals Inc, Sonoma Resources Corp, etc. Also former Director for International Musto Exploration Ltd. and Argentina Gold Corp. Today he is working for Canadian Gold Hunter Corp., Lundin Petroleum AB, ResourceCan Limited, etc.

4. Estimated reserves[32]

No overall details on reserves are available yet for TFM concessions.[33]
Reserves for Kwatebala, Fwaulu and Goma:

Reserves	Ore Tonnes (000s)	Cu Grade %	Co Grade %
Total proven and probable	103,000	2.1 %	0.3 %

Resources for Tenké Fungurumé concessions:

Resources	Ore Tonnes (000s)	Cu Grade %	Co Grade %
Measured and indicated	235,000	3.01 %	0.3 %
Inferred	265,000	2.6 %	0.19 %

[30] See http://phx.corporate-ir.net/phoenix.zhtml?c=95336&p=irol-govManage
[31] See http://www.tenke.com/s/DirectorsAndOfficers.asp
[32] Resources are a concentration of minerals in such form and quantity and of such a quality that there are reasonable prospects for economic extraction. Reserves are the economically mineable part of measured or indicated resources demonstrated by at least a Preliminary Feasibility Study. For complete definitions of resources and reserves, see: http://www.cim.org/committees/CIMDefStds_Dec11_05.pdf.
[33] News Release Tenke Mining Corp, *Tenké Fungurume Feasibility Study completed*, 26 Feb 2007. See http://cnrp.ccnmatthews.com/client/tenke_mining/release.jsp?actionFor=637292

5. Project Financing

The company reported aggregated capital and related project expenditure would be 650 million USD[34]. Debt financing initiatives led by Phelps Dodge and the project's financial advisor Rothschild Inc are advancing. It is expected that a significant level of debt will be available for the project. Prior to debt drawdown being available, project activities are being funded with partner advances. [35]
As TFM is a greenfield project and the feasibility study is completed but not publicly available, no further details on financing can be reported.

6. Current Status of Project

On 26/02/2007 Tenke Mining Corp reported the Tenké Fungurumé Feasibility Study has been completed for the first phase of production. Facilities have been designed to initially produce 115,000 metric tonnes Cu per year and 8000 tonnes Co. The 40 year mine plan is based on first developing the Kwatebala, Fwaulu and Goma deposits. Significant drilling program across the Tenké Fungurumé concessions are in progress to potentially add high grade ore reserves to the mine plan. Long-term power supply contracts have been signed with SNEL (Société Nationale d'Eléctricité), Significant road building and basic infrastructure development were accomplished in the last half of 2006. Major civil works have started at the plant site and the largest piece of mine equipment is already on site. Full production of copper is scheduled for the end of 2008, full cobalt production beginning of 2009.

[34] News Release Tenke Mining Corp, *Tenké Fungurumé Feasibility Study completed*, 26 Feb 2007. See http://cnrp.ccnmatthews.com/client/tenke_mining/release.jsp?actionFor=637292
[35] News Release Tenke Mining, *Tenké Fungurumé Project Update*, 20 November 2006. See http://cnrp.ccnmatthews.com/client/tenke_mining/release.jsp?actionFor=622819